

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
DODE-00 EB-08 DOE-11 H-02 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 USIA-15 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 PA-02 AGRE-00 FRB-01
/130 W

-----099956 141958Z /45

R 141045Z MAR 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 0189
INFO USDOC WASHDC
AMEMBASSY COLOMBO

UNCLAS NEW DELHI 4016

DEPT. PLEASE PASS TO USGS, USBURMINES AND DOE

E.O. 11652: N/A
TAGS: ENRG, BTIO, CE
SUBJECT: SRI LANKA'S PETROLEUM SECTOR DEVELOPMENT

1. SRI LANKA IS ENTIRELY DEPENDENT ON POL IMPORTS FOR ITS DOMESTIC REQUIREMENTS. ACCORDING TO PUBLIC SECTOR CEYLON PETROLEUM CORPORATION (CPC), CRUDE IMPORTS ROSE MARGINALLY TO AN ESTIMATED 1.53 MILLION METRIC TONS (MT) VALUED AT DOLS.149 MILLION DURING 1977 FROM 1.45 MILLION MT VALUED AT DOLS.129 MILLION IN 1976. SAUDI ARABIA SUPPLIED ABOUT 60 PERCENT OF THE CRUDE WITH THE BALANCE COMING FROM IRAN. EXPORTS OF PETROLEUM PRODUCTS TOTALED 681,000 MT VALUED AT RS.578 MILLION (DOLS.65 MILLION) IN 1977 AND 677,000MT VALUED AT RS.492 MILLION (DOLS 58 MILLION) IN 1976. EXPORTS INCLUDED NAPHTHA, BUNKER FUEL OIL, DIESEL OIL, AVIATION TURBINE FUEL AND LPG. TRADE DATA ON IMPORTS OF PETROLEUM PRODUCTS BELIEVE TO BE NEGLIGIBLE, ARE NOT AVAILABLE.

2. EXPANSION OF SRI LANKA'S ONLY REFINERY AT SAPUGASKANDE
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IS EXPECTED TO BE COMPLETED BY YEAR END 1978. THIS IS DESIGNED PRIMARILY TO INCREASE PRODUCTION OF LIGHT DISTILLATES, PARTICULARLY NAPHTHA. CONSIDERATION IS BEING GIVEN TO INTALLING AN ISO HYDROCRACKER FOR INCREASING THE RECOVERY OF KEROSENE AND DIESEL FUEL FROM RESIDUE OIL. ACCORDING TO CPC, THE DEMAND FOR THESE PRODUCTS IS INCREASING AT A RATE OF 7.6 PERCENT PER YEAR. HOWEVER, IN VIEW OF THE ESTIMATED DOLS.71

MILLION COST, GSL MAY WELL DEFER ANY IMMEDIATE ACTION ON THIS PROJECT. CHEVRON, UNIVERSAL OIL PRODUCTS AND TEXACO HAVE EXAMINED THE PROJECT. CHEVRON, UNIVERSAL OIL PRODUCTS AND TEXACO HAVE EXAMINED THE PROJECT. WITH SAUDI ARABIA PLANNING TO EXPAND ITS REFINERY CAPACITY, GSL OFFICIALS ARE OPTIMISTIC THAT THE PRICES OF POL PRODUCTS WILL DECLINE MAKING THIS PROJECT LESS ATTRACTIVE INVESTMENT WISE.

3. THE 300,000 MT PER YEAR NAPHTHA BASED UREA FERTILIZER PLANT UNDER CONSTRUCTION IS EXPECTED TO BE ONSTREAM BY EARLY 1980. TOTAL COST OF THE PROJECT IS ESTIMATED AT DOLS.150 MILLION, INCLUDING FOREIGN EXCHANGE COMPONENT OF DOLS92 MILLION WHICH IS BEING FINANCED BY THE ASIAN DEVELOPMENT BANK, KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT, FEDERAL REPUBLIC OF GERMANY THROUGH KREDITANSHTALT FUER WIEDERANFAU AND THE GOVERNMENT OF INDIA. THE PROJECT IS BEING SUPERVISED BY THE PUBLIC SECTOR STATE FERTILIZER MANUFACTURING CORPORATION WHICH WILL OPERATE PLANT WHEN COMPLETED. KELLOGS (US) IS PROVIDING THE KNOWHOW.

4. A CAPROLACTUM BASED NYLON PLANT IS ANOTHER PROJECT UNDER CONSTRUCTION NEAR THE REFINERY. IT IS SCHEDULED TO BE COMMISSIONED IN FEBRUARY 1980. ESTIMATED COST IS DOLS 34 MILLION WITH A FOREIGN EXCHANGE COMPONENT OF ABOUT DOLS 18 MILLION. PRODUCTION IS TO INCLUDE 1,900 MT OF TEXTILE YARN, 200 MT OF FISH NET YARN AND 560 MT OF TIRE CORD FABRIC. THE PROCESS KNOWHOW, ENGINEERING AND EQUIPMENT ARE BEING PROVIDED BY UNITIK (JAPAN)
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WITH THE NISSHO-IWAI TRADING COMPANY GUARANTEEING TO IMPORT ALL EXCESS YARN WHEN PLANT REACHES FULL PRODUCTION. SRI LANKA'S CURRENT NYLON YARN REQUIREMENTS OF 1,200 MT PER YEAR ARE BEING MET BY IMPORTS FROM JAPAN. THE PLANT'S CAPROLACTUM REQUIREMENTS ARE 3,170 MT PER YEAR

5. CPC IS CARRYING OUT A FEASIBILITY STUDY FOR INSTALLING A SULPHUR EXTRACTION PLANT BASED ON THE WASTE GAS NOW BEING FLARED AT THE REFINERY. COST OF PLANT IS AROUND DOLS ONE MILLION, BUT THE FOREIGN EXCHANGE SAVING FROM THE ANNUAL PRODUCTION OF 1,100 TO 1,750 MT OF SULPHUR COULD EXCEED DOLS 300,000 ANNUALLY. GLOBAL TENDERS MAY BE CONSIDERED FOLLOWING EVALUATION OF FEASIBILITY STUDY.

6. CPS'S INDUSTRIAL DEVELOPMENT PLAN ALSO CALLS FOR ESTABLISHING A BSE OIL MANUFACTURING PLANT ADJACENT TO THE REFINERY TO PRODUCE BASE OILS, WAXES, WHITE OILS AND POSSIBLY PROCESS OILS. THE PROPOSED CAPACITY OF THE PLANT IS 30,000 MT. THE DOMESTIC REQUIREMENTS ARE ABOUT 15,000 MT PER YEAR WITH SURPLUS TO BE EXPORTED. FOREIGN COST IS ESTIMATED AT DOLS 35 MILLION. SAVINGS IN FOREIGN EXCHANGE WOULD AMOUNT TO ABOUT DOLS 3.0 MILLION ANNUALLY. SHOULD PROJECT

BE APPPROVED, FOREIGN COLLABORATION TO PROVIDE KNOWHOW, DETAIL-
TAILED ENGINEERING AND EQUIPMENT WOULD BE NECESSARY. THE
FOREIGN FIRM WOULD ALSO BE REQUIRED TO PROVIDE AN EXPORT MARKET
FOR SURPLUS BASE OIL AND UNDERWRITE FOREIGN EXCHANGE COST OF
PROJECT ON LOAN BASIS. INTERESTED U.S. FIRMS SHOULD CONTACT
CEYLON PETROLEUM CORPORATION, COLOMBO, SRI LANKA, FOR
ADDITIONAL DETAILS ON ABOVE PROJECTS.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, IMPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 mar 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978NEWDE04016
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780113-0926
Format: TEL
From: NEW DELHI
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780371/aaaaciv.tel
Line Count: 124
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b9e4f5c7-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 15 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3340842
Secure: OPEN
Status: NATIVE
Subject: SRI LANKA'S PETROLEUM SECTOR DEVELOPMENT
TAGS: ENRG, BTIO, CE
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/b9e4f5c7-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014